HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Vancouver - Abbotsford

Canada Mortgage and Housing Corporation

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New Home Construction to Stay at High Levels

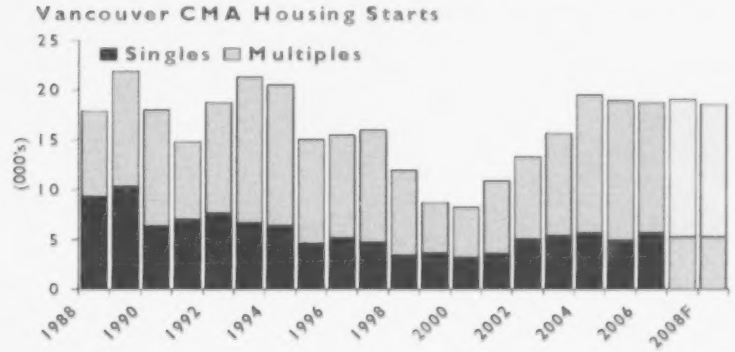
Vancouver CMA

Solid homebuyer demand will keep new home construction in the Vancouver CMA robust into 2008, with housing starts close to decade and a half highs. Vancouver's vibrant economy is generating jobs and drawing people to the region. While homebuilders will continue to face the challenges of labour availability, as well as high land and material costs, strong economic conditions in the region will keep construction up near 2006 levels in the year ahead. As existing home sales moderate into 2008, and more listings come on line, look for less spill-over into the new home market. However, new projects continue to sell out quickly, and many will break ground within the year.

On the heels of a modest one per cent dip in new home starts in 2006, construction in the Vancouver CMA will remain at high levels over the

Figure 1

Construction to Remain at High Levels



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next 18 months. The gradual slowdown in new construction that began last year continued into the first quarter of 2007. However, this decline was in comparison to one of the strongest first quarters on record. Looking ahead, housing starts will inch up just above last year's level to 19,000 units in 2007, before dipping to 18,500 units in the following year. Construction will slow into 2008 as mortgage rates begin to inch up. As well, the number of homes available for sale in the existing home market is expected to continue trending up, giving homebuyers more choice and producing less spill-over demand into the market for new homes.

New home prices will continue rising this year and next, but at a slower pace than in the past few years. As a result of strong demand and escalating construction costs, the average price for new single detached homes climbed 16 per cent in 2006. Look for new single family home prices to grow at about half that rate over the next two years. The average price for new single family homes in the Vancouver CMA will increase by eight per cent in both 2007 and 2008.

Multiple unit starts, especially apartment projects, will continue to be a major focus for homebuilders this year and next. Most of the dip in the first quarter of this year was on the single detached side, which was no surprise given that the first quarter of last year was the strongest first quarter for single detached home building in a decade and a half. Multiple starts, which account for the lion's share of the total, remained at historically high levels. First quarter condominium apartment starts were down just one per cent off year-earlier levels. Nearly half of all new homes built in the Vancouver CMA are apartment condo units. With prices for all home types set to continue rising, this relatively less expensive alternative will see continued strength going forward.

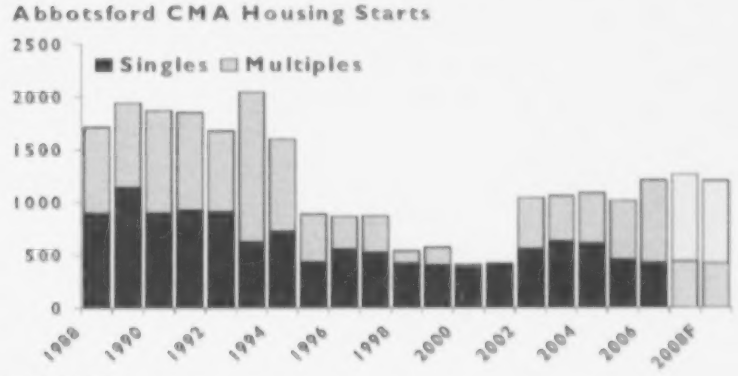
Land scarcity in Vancouver City and other municipalities close to the core, coupled with high land and home prices across the CMA will contribute to continued expansion of apartment construction in suburban markets. By targeting projects in suburban areas with land availability and costs more conducive to development, builders will be able to bring to market a less expensive product geared to homebuyer needs.

The trend towards increasing apartment condo starts in suburban areas such as the Tri-Cities, North Vancouver City, Maple Ridge and Fraser Valley communities is expected to continue in the coming 18 months. While nearly one quarter of all new condo apartment projects were started in the City of Vancouver last year, this municipality saw apartment starts decline by more than 30 per cent, as did the downtown core. Apartment starts were down in other land-strapped communities such as West Vancouver, White Rock, Burnaby, Port Coquitlam and Port Moody. The top three growth areas for new apartment projects in 2006 included, Maple Ridge/Pitt Meadows, Coquitlam, and North Vancouver, while most other communities recorded growth of between 20 and 50 per cent.

Strong demand for new homes will keep the supply of newly completed and unabsorbed units lean through 2008. The inventory of new units available for sale remained well below the long-term average last year and into the first quarter of 2007. The stock of unabsorbed new apartment condo units was especially tight, ending 2006 with less than 100 new apartment homes available for sale across the Vancouver CMA. Although this number has been inching up since the beginning of the year, demand for this relatively inexpensive home types will keep inventories at about one-third of the long-term average level.

Figure 2

Home Starts Set to Expand in 2007



Source: CMHC

Abbotsford CMA

Residential construction activity in the Abbotsford CMA will continue trending up in 2007, before moderating slightly in the following year. Relatively low home prices compared to neighbouring Vancouver CMA communities, as well as robust local employment and earnings growth and will keep demand for new homes strong throughout the forecast period.

While growth in home starts will not reach the same magnitude as last year, expect to see a more modest up tick in 2007 before starts ease in 2008. Following a 20 per cent hike in new construction in 2006 and an even faster pace of growth in the first quarter of 2007, Abbotsford will see growth moderate to four per cent in the balance of 2007, with foundations poured for 1,260 new homes. Starts will slip back to 1,200 units in 2008, as the impacts of a slowing resale market filter through to the new home sector and mortgage rates start to inch up.

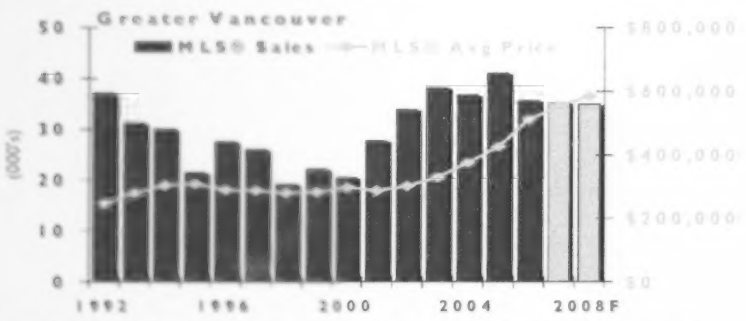
Average new home prices in the Abbotsford CMA are set to see continued double-digit growth this year and next. New single detached average prices were up 20 per cent in 2006, compared to the previous year. The pace of new home price growth will slow slightly, with single detached new house prices increasing 15 per cent this year, and 12 per cent in 2008.

Multiple unit starts will continue to play an increasingly important role in Abbotsford's new construction picture over the next 18 months. Multiple unit starts were up 41 per cent in 2006, while single detached starts declined seven per cent due to the lean supply of land suited to single family developments. Apartment condo starts reached the second highest level on record in 2006, accounting for nearly half of all new homes started in the CMA. Looking ahead, growth in multiple unit starts will moderate as Abbotsford's land crunch sends builders to more difficult sites for new projects. Permit approval and completion times are being extended due to the added complexity of building on these sites.

Strong demand for new homes in Abbotsford will keep unabsorbed inventories low as builders continue to bring new units to market. The supply of unabsorbed new homes was tight throughout 2006, with the lowest year-end level recorded in over a decade and a half. This trend continued into the first quarter of this year and unabsorbed inventories are expected to remain at just one-third of the long-term average level in the remainder of 2007 and into the following year.

Figure 3

Sales Steady & High, Price Growth to Slow



Source: Real Estate Board of Greater Vancouver (Detached, Attached & Apartment)
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Existing Home Markets to Remain Strong

Greater Vancouver

Existing home markets across the Greater Vancouver region are expected to continue moderating from the frenzied pace of the past few years. Strong employment growth and a steady flow of people moving to the region will keep MLS® sales up near the record level achieved in 2005. Slightly fewer sales combines with an increase in listings will result in more balanced market conditions. Although housing demand will remain strong in 2007 and 2008, buoyed by job growth and a steady flow of people moving to the region, high mortgage carrying costs will continue to dampen demand.

Last year's slowdown in MLS® sales will continue through the forecast horizon, but the pace of decline will contract this year and next. Existing home sales (detached, townhouse and apartment) in Greater Vancouver slipped 13 per cent in 2006, from the record high of 40,986 transactions hit a year earlier. Sales in the first quarter of 2007 continued to trend lower, however, this downward shift will ease as strong employment growth during this period bolsters homebuyer demand in the remainder of 2007 and into the following year. MLS® sales in Greater Vancouver are forecast to remain at historically high levels over the coming 18 months, declining by one per cent in both 2007 and 2008.

The number of resale homes on the market has been on the rise since the beginning of 2006 and will

continue expanding over the next 18 months. The average number of MLS® active listings edged up in 2006, providing homebuyers with more choice in their purchasing decision. The number of active listings dipped briefly in the last few months of 2006, but has swelled sufficiently since to put first quarter 2007 levels up 24 per cent over the same quarter last year This dramatic increase was due to the fact that the first quarter of 2006 was one of the tightest on record in terms of active MLS® listings. The supply of existing homes for sale is expected to continue rising through the forecast period, albeit at a slower pace than in the first quarter.

Figure 4

Sales High, Prices Still Rising

Source: Fraser Valley Real Estate Board (Detached & Condo)
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Resale home prices will continue to increase this year and next, but the magnitude of price increases will ease. In spite of declining sales and an up tick in listings in 2006, double-digit price increases have continued unabated into the first quarter of 2007. However, price growth will be more modest in the remainder of 2007 and into 2008 as the market adjusts to more balanced demand and supply conditions. With resale listings set to rise over the next 18 months, and sales expected to remain flat, price growth will cool for all home types. Single detached prices will increase in the five to six per cent range this year and next. Apartment and townhouse condo prices will register an eight per cent jump in prices this year, followed by six per cent growth in 2008.

Abbotsford

Resale home markets in the Abbotsford CMA will see strong activity levels this year and next. MLS® sales (detached, townhouse and apartment) dipped five per cent in 2006, compared to a year earlier. This trend continued into the first quarter of 2007, with an 18 per cent decline in sales, compared to the same period in 2006. The decline in sales will moderate over the coming 18 months as a result of strong job growth and migration to the region. Look for the number of resale transactions in Abbotsford to stay near 2006 levels in the balance of 2007 and into 2008 as buyers continue to look to Fraser Valley communities such as Abbotsford for relatively less expensive homes.

Existing home inventories in Abbotsford have been trending up since the beginning of 2006, and are expected to continue on this trajectory over the forecast period. The supply of new MLS® listings on the market in 2006 was on average13 per cent above year-earlier levels. This trend has continued into the first quarter of 2007 and will hold through 2008. With more new listings coming onto the market over the next 18 months, homebuyers will have more choice and price growth will slow as supply conditions ease.

MLS® prices will continue rising throughout the forecast period, but at a slower rate than in the past year. Resale price growth in Abbotsford was robust in 2006, with single detached prices up 17 per cent, and condo prices up 22 per cent. Price growth will be tempered this year and next as more units come on the market. In 2007, prices will end the year six to eight per cent higher than in 2006, and price growth will moderate further in 2008 into the five to six per cent range.

[1] Data from the Greater Vancouver Real Estate Board covers all Vancouver CMA municipalities except Surrey, Langley, North Delta and White Rock.

[2] MLS® is a registered trademark of the Canadian Real Estate Association

Lower Mainland Rental Markets Tight

Demand for rental accommodation in the lower mainland will remain strong in the coming 18 months, bolstered by ongoing employment growth, which is drawing migrants to the region. The high cost of homeownership in both Abbotsford and Vancouver compared to other Canadian centres will also mean that many people relocating to the area will rent for some time before buying. As well, high home prices in the region are keeping many would-be first time buyers renting. Further adding to demand for rental housing are those who have already purchased condo units and are

awaiting the completion of projects. Condo completion times have been extended due to labour shortages, as projects compete for skilled trades with other residential and non-residential developments.

New purpose-built rental construction will continue to be scarce in the lower mainland, with investor condominiums providing much needed rental supply. In 2006, just three per cent of all starts in the Vancouver CMA were rental units. Vacancy rates in purpose-built rental buildings will remain low over the next 18 months, coming in at one per cent for October 2007 and 1.3 per cent in 2008. Average one and two bedroom rents will increase by four per cent in 2007 and three per cent in the following year.

Renter demand will remain strong in Abbotsford over the next 18 months based on employment growth and population gains through migration. Purpose-built rental vacancy rates are set to increase to 2.3 per cent this year and three per cent next, while rents will rise at just above the rate of inflation each year.

Vibrant Economy Sustains Housing Demand

Vancouver CMA

Solid economic conditions in the lower mainland will keep housing demand robust this year and next. Vancouver's economy is set to grow by 3.1 per cent in 2007 and 3.4 per cent in 2008, fuelled by strong activity in residential and non-residential construction, as well as wholesale and retail trade. Olympic and non-Olympic transportation and infrastructure projects will keep Vancouver's construction sector busy this year and next. Retail spending is being spurred on by improving labour market conditions, a trend expected to continue through the forecast horizon.

An additional 31,400 jobs were created across Greater Vancouver in 2006, driving the unemployment rate to a twenty-year low of 4.4 per cent. Job growth took off in the first quarter of 2007 with 61,700 more new positions filled, compared to the first quarter of 2006. Labour conditions remained tight with an unemployment rate of just 3.7 per cent. Fully three-quarters of all the jobs created in the province in the first quarter were in the Greater Vancouver region. These strong labour market conditions will continue through this year and next, with annual employment growth of 33,000 jobs projected, and unemployment near four per cent.

Vancouver's job growth will continue to draw people to the region from other provinces and from abroad. The CMA will gain more than 30,000 people through migration in each of the coming years. International migrants will account for most of this growth, but it has been inter-provincial migration that has shown the most improvement in recent years. In spite of Alberta's booming economy and job market, BC has still managed to attract job seekers from all other provinces. Continuing job growth in the province, combined with an expected slowdown in economic growth in Alberta will extend this trend over the next 18 months.

Abbotsford CMA

Abbotsford's economy will grow at a healthy pace this year and next, fuelled by strength in the residential and non-residential construction sectors as well as continuing high levels of retail and wholesale trade activity and growth in the transportation and communications sector. Job growth and wage gains will keep consumer spending rising in the year ahead. The release of 400 acres of land from the Agricultural Land Reserve in recent years has opened up space for industrial development and more jobs in the CMA. The economy will expand by three per cent in 2007 and 2008, and the associated job growth will support demand for housing.

The Abbotsford CMA also saw strong employment growth in 2006, with 4,000 additional jobs created and an unemployment rate of 4.5 per cent. Job creation expanded in the first quarter of 2007 with 1,400 more jobs created compared to the same period last year. Large construction projects such as the Abbotsford Regional Hospital and Cancer Centre and airport expansion are generating jobs. It is estimated that the new hospital will employ twice as many people as the previous facility. Total job growth in the one to two per cent range is forecast for Abbotsford in 2007 and 2008.

Mortgage rates will remain low

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2008.

Short-term mortgage rates will also ease as the prime rate nudges down over the next twelve months while the long-term mortgage rates will rise slightly in line with bond rates.

One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-7.00, and 6.25-7.25 per cent ranges respectively over the rest of this year and in 2008.

Forecast Summary Vancouver CMA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	37,972	42,222	36,479	36,200	-0.8	35,800	-1.1
MLS® New Listings	55,218	52,736	54,947	57,694	5.0	60,579	5.0
MLS® Average Price ($)	373,877	425,745	509,876	555,000	8.8	584,000	5.2
New Home Market							
Starts:							
Single-Detached	5,614	4,935	5,614	5,200	-7.4	5,100	-1.9
Multiples	13,816	13,979	13,091	13,800	5.4	13,400	-2.9
Semi-Detached	974	714	676	680	0.6	650	-4.4
Row/Townhouse	3,334	3,281	2,852	3,000	5.2	2,900	-3.3
Apartments	9,508	9,984	9,563	10,120	5.8	9,850	-2.7
Starts - Total	19,430	18,914	18,705	19,000	1.6	18,500	-2.6
Average Price ($):							
Single-Detached	553,459	611,333	710,526	767,000	7.9	828,000	8.0
Median Price ($):							
Single-Detached	469,000	512,000	585,000	632,000	8.0	682,000	7.9
New Housing Price Index (% chg)	4.9	4.4	6.8	6.5	-	5.8	-
Rental Market							
October Vacancy Rate (%)	1.3	1.4	0.7	1.0	0.3	1.3	0.3
Two-bedroom Average Rent (October) ($)	984	1,004	1,045	1,087	4.0	1,119	2.9
One-bedroom Average Rent (October) ($)	774	788	816	849	4.0	874	2.9
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	1,127,500	1,155,700	1,187,100	1,221,000	-	1,254,000	-
Employment Growth (%)	2.2	2.5	2.7	2.9	-0.2	2.7	-0.2
Unemployment rate (%)	6.7	5.7	4.4	4.2	-	4.2	-
Net Migration	23,966	30,172	30,438	30,500	0.2	30,500	0.0

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Abbotsford CMA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	3,740	4,035	3,853	3,830	-0.6	3,800	-0.8
MLS® New Listings	3,863	3,915	4,426	4,650	5.1	4,880	4.9
MLS® Average Price ($)	232,175	260,856	303,959	329,000	8.2	345,000	4.9
New Home Market							
Starts:							
Single-Detached	607	458	427	435	1.9	420	-3.4
Multiples	476	554	780	825	5.8	780	-5.5
Semi-Detached	24	18	10	15	50.0	10	-33.3
Row/Townhouse	46	43	89	90	1.1	80	-11.1
Apartments	406	493	681	720	5.7	690	-4.2
Starts - Total	1,083	1,012	1,207	1,260	4.4	1,200	-4.8
Average Price ($):							
Single-Detached	322,238	380,360	461,583	530,000	14.8	594,000	12.1
Median Price ($):							
Single-Detached	314,000	355,000	449,000	516,000	14.9	578,000	12.0
New Housing Price Index (% chg) (B.C.)	5.3	4.8	6.5	6.3	-	5.5	-
Rental Market							
October Vacancy Rate (%)	2.8	3.8	2.0	2.3	0.3	2.5	0.2
Two-bedroom Average Rent (October) ($)	684	704	719	733	1.9	748	2.0
One-bedroom Average Rent (October) ($)	546	560	582	599	2.9	610	1.8
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	78,500	78,300	82,300	83,500	-	85,500	-
Employment Growth (%)	4.8	-0.3	5.1	1.0	4.1	2.0	1.0
Unemployment rate (%)	6.4	5.5	4.5	4.4	-	4.5	-
Net Migration	1,631	1,001	922	975	5.7	1,000	2.6

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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